

WASHINGTON (May 7) – The rising cost of complying with federal regulations threatens the future of small banks and financial institutions across the country, and on Wednesday a House subcommittee will examine how the growth of this red tape hurts the economy, increases customers' costs for basic banking services, and leads to fewer small banks and more large banks.

The Subcommittee on Financial Institutions and Consumer Credit will hear on Wednesday from witnesses from smaller institutions about how they plan to survive the regulatory onslaught.

“More than 400 new rules will be imposed on our economy because of the Dodd-Frank Act. While some of them are necessary, many will serve only to stifle economic growth and employment,” said Congressman Spencer Bachus (AL-6), who is Chairman of Financial Services Committee. “As regulators write the rules mandated by Dodd-Frank, we must make certain they do not harm the economy by drowning small business lenders in a sea of red tape.”

Financial Institutions and Consumer Credit Subcommittee Chairman Shelley Moore Capito said, “This hearing builds upon field hearings we’ve hosted across the country regarding whether small financial institutions face significant regulatory burdens, and if so, guaranteeing that there is a workable regulatory regime so that these institutions can continue to survive and grow. We must ensure that we have a diverse financial system.”

The Dodd-Frank Act, passed by Congress in 2010, created numerous new governmental entities such as the Consumer Financial Protection Bureau and added a slew of new regulatory mandates.

For smaller financial institutions that do not benefit from the economies of scale of larger institutions, the costs of complying with regulations disproportionately impacts their ability to lend and offer the services that customers have come to expect such as free checking.

A recent survey from PricewaterhouseCoopers estimates that regulatory changes will likely depress revenues, increase operating costs and squeeze community bank profits. In that survey, nearly 90 percent of banking industry leaders cited over-regulation as the biggest threat

to business.

The cost of complying with federal regulations comes not only in terms of money, but time as well. The Dodd-Frank Burden Tracker, an online resource found on the Financial Services Committee's website (www.financialservices.house.gov/burden tracker) shows that it take more than 24 million work hours each year for companies to comply with the first 185 of Dodd-Frank's 400-plus rules.

This is not the first hearing the Subcommittee has held to examine the impact that regulations have on smaller banks and financial institutions. During the past year, the Subcommittee has held field hearings and heard directly from local bankers in Wisconsin, Texas, Illinois and Georgia.

Wednesday's hearing will begin at 10 a.m. and will take place in room 2128 Rayburn House Office Building.